

ASSEMBLY BILL

No. 1547

Introduced by Assembly Member Levine

February 22, 2005

An act to amend Section 25744 of, to add Section 25402.10 to, and to add Division 16.7 (commencing with Section 26421) to, the Public Resources Code, and to amend Sections 399.6, 399.8, 2827, 3345, and 3370 of, to add Sections 385.1 and 760 to, and to add Chapter 8 (commencing with Section 2830) to Part 2 of Division 1 of, the Public Utilities Code, relating to solar energy, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1547, as introduced, Levine. Energy: renewable energy: solar generation of electricity.

(1) The existing Public Utilities Act requires the Public Utilities Commission (CPUC) to require Pacific Gas and Electric Company, San Diego Gas and Electric, and Southern California Edison to identify a separate electrical rate component to fund programs that enhance system reliability and provide in-state benefits. This rate component is a nonbypassable element of local distribution and collected on the basis of usage. The funds are collected to support cost-effective energy efficiency and conservation activities, public interest research and development not adequately provided by competitive and regulated markets, and renewable energy resources. Existing commission resolutions refer to the nonbypassable rate component as a "Public Goods Charge" (PGC). Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission) to transfer funds collected by electrical corporations for in-state operation and development of

existing and new and emerging renewable resources technologies into the Renewable Resource Trust Fund, to fund specified programs. Existing law requires that 17.5% of the money collected under the renewable energy PGC be used to fund the Emerging Renewable Resources Account within the Renewable Resource Trust Fund for the purpose of a multiyear, consumer-based program to foster the development of emerging renewable technologies in distributed generation applications.

Under the Reliable Electric Service Investments Act, the Energy Commission was required to hold moneys collected for renewable energy and deposited in the Renewable Resource Trust Fund until further action by the Legislature. The act requires the Energy Commission to create an initial investment plan, in accordance with specified objectives, to govern the allocation of funds in the Renewable Resource Trust Fund collected between January 1, 2002, and January 1, 2007, in order to ensure a fully competitive and self-sustaining California renewable energy supply. Existing law requires the Energy Commission, on or before March 31, 2006, to prepare an investment plan proposing the application of moneys collected between January 1, 2007, and January 1, 2012, and prohibits expenditures from the accounts within the Renewable Resource Trust Fund without further legislative action.

This bill would enact the Solar Energy Peak Procurement Act. The bill would except moneys expended through the Emerging Renewable Resources Account from the requirement that the Energy Commission prepare an investment plan on or before March 31, 2006, and would authorize the commission to advance moneys to the Emerging Renewable Resources Account and to expend those moneys without further legislative action, subject to certain existing repayment provisions, thereby making an appropriation. The bill would require the Energy Commission to ensure proportional program support through the Emerging Renewable Resources Account, for affordable housing units, within certain limits.

(2) Existing law requires the Public Utilities Commission, in consultation with the Independent System Operator and the Energy Commission, to adopt initiatives, on or before March 7, 2001, to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or super clean distributed generation resources. Existing law requires the commission, in consultation with the Energy Commission, to

administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004.

Existing law requires the Energy Commission to expand and accelerate development of alternative sources of energy, including solar resources. Existing law requires the Energy Commission, until January 1, 2006, and to the extent that funds are appropriated for that purpose in the annual Budget Act, to implement a grant program to accomplish specified goals, including making solar energy systems cost competitive with alternate forms of energy.

This bill would create the Solar Energy Peak Procurement Fund for expenditure, upon appropriation, for a state program for subsidizing all customer classes for the installed cost of grid-connected solar photovoltaic systems in the service territory of investor-owned utilities. The bill would require the Energy Commission, not later than July 1, 2005, to award rebates to support the installation of grid-connected solar energy systems, subject to a prescribed declining schedule terminating as of January 1, 2015. The bill would require the Energy Commission to ensure proportional program support for affordable housing units, within certain limits.

The bill would require the CPUC to open a proceeding to examine the relative costs and benefits between solar rebate programs and commission-administered interruptible demand reduction programs.

The bill would require the CPUC to direct utilities to deposit a portion of electric rate revenues in the Solar Energy Peak Procurement Fund from unallocated funds previously authorized for demand management and interruptible programs and rates that previously paid for those programs and that the CPUC determines are less cost effective than the photovoltaic incentive system established by the bill. The bill would require the CPUC to make certain reports to the Legislature.

(3) Existing law requires that the PGC be adjusted annually at a rate equal to the lesser of the annual growth in electric commodity sales or inflation, as defined.

This bill would require that the amounts collected to fund energy efficiency, renewable energy, and research, development, and demonstration during 2005 and 2006, be set at the levels established by the CPUC for 2004, and would require that any moneys collected above those 2004 levels during 2005 and 2006, be transferred to the Solar Energy Peak Procurement Fund.

(4) Existing law requires each local publicly owned electric utility to establish a nonbypassable usage based charge to fund investments in specified public purpose programs, including energy efficiency and conservation, investment in renewable energy resources, research, development and demonstration programs, and providing services for low-income electricity customers. The charge is required to be not less than the lowest expenditure of the 3 largest electrical corporations in California based on a percentage of revenue.

This bill would require every local publicly owned electric utility, as defined, to establish a solar program consistent with the Solar Energy Peak Procurement Program. Each local publicly owned electric utility would be required to report, on an annual basis, to its customers and to the Energy Commission, information relative to the utility's solar program and would authorize the Energy Commission to establish guidelines for the information to be included in the annual report. By imposing additional requirements on local publicly owned electric utilities, the bill would impose a state-mandated local program.

(5) Existing law requires a solar energy system to meet applicable standards and requirements imposed by state and local permitting authorities.

This bill would require that beginning January 1, 2010, a seller of production homes, as defined, offer a solar energy system, as defined, option to all customers negotiating to purchase a new production home and to disclose certain information.

(6) Existing law requires every electric service provider, as defined, to develop a standard contract or tariff providing for net energy metering, and to make this contract available to eligible customer generators, upon request. Existing law requires every electric service provider, upon request, to make available to eligible customer generators contracts for net energy metering on a first-come-first-served basis until the time that the total rated generating capacity used by eligible customer generators exceeds 0.5% of the electric service provider's aggregate customer peak demand.

This bill would require that every electric service provider, upon request, make available to eligible customer generators contracts for net energy metering on a first-come-first-served basis until the time that the total rated generating capacity used by eligible customer generators exceeds 1.5% of the electric service provider's aggregate customer peak demand.

(7) Existing law authorizes the CPUC to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable.

This bill would require the CPUC, in collaboration with the Energy Commission, to develop optional time-variant electricity pricing tariffs for all customers that are not subject to mandatory time-variant pricing.

(8) Under existing law, a violation of the Public Utilities Act or an order or decision of the commission is a crime.

Certain provisions of this bill would be part of the act and an order or other action of the commission would be required to implement certain of the provisions. Because a violation of the bill's provisions or of an order or decision of the commission implementing those provisions would be a crime, this bill would impose a state-mandated local program by creating new crimes.

(9) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. This act shall be known, and may be cited as the
2 Solar Energy Peak Procurement Act.

3 SEC. 2. Section 25402.10 is added to the Public Resources
4 Code, to read:

5 25402.10. (a) As used in this section, the following terms
6 have the following meanings:

7 (1) "kW" means kilowatts or 1,000 watts, as measured from
8 the alternating current side of the solar energy system inverter
9 consistent with Section 223 of Title 15 of the United States Code.

10 (2) "Production home" means a single-family residence
11 constructed as part of a development of at least 50 homes per
12 project that is intended or offered for sale.

13 (3) "Solar energy system" means a photovoltaic solar collector
14 or other photovoltaic solar energy device that has a primary

1 purpose of providing for the collection, and distribution of solar
2 energy for the generation of electricity, and that produces at least
3 1 kW alternating current rated peak electricity.

4 (b) A seller of production homes shall, beginning January 1,
5 2010, offer a solar energy system option to all customers that
6 enter into negotiations to purchase a new production home
7 constructed on land for which an application for a tentative
8 subdivision map has been deemed complete on or after January
9 1, 2007, and shall disclose to customers the following
10 information:

11 (1) The total installed cost of the solar energy system option.

12 (2) The estimated cost savings associated with the solar energy
13 system option, as determined by the commission.

14 SEC. 3. Section 25744 of the Public Resources Code is
15 amended to read:

16 25744. (a) Seventeen and one-half percent of the money
17 collected pursuant to the renewable energy public goods charge
18 shall be used for a multiyear, consumer-based program to foster
19 the development of emerging renewable technologies in
20 distributed generation applications.

21 (b) Any funds used for emerging technologies pursuant to this
22 section shall be expended ~~in accordance with the report~~, subject
23 to all of the following requirements:

24 (1) Funding for emerging technologies shall be provided
25 through a competitive, market-based process that shall be in
26 place for a period of not less than five years, and shall be
27 structured so as to allow eligible emerging technology
28 manufacturers and suppliers to anticipate and plan for increased
29 sale and installation volumes over the life of the program.

30 (2) The program shall provide monetary rebates, buydowns, or
31 equivalent incentives, subject to subparagraph (C), to purchasers,
32 lessees, lessors, or sellers of eligible electricity generating
33 systems. Incentives shall benefit the end-use consumer of
34 renewable generation by directly and exclusively reducing the
35 purchase or lease cost of the eligible system, or the cost of
36 electricity produced by the eligible system. Incentives shall be
37 issued on the basis of the rated electrical generating capacity of
38 the system measured in watts, or the amount of electricity
39 production of the system, measured in kilowatthours. Incentives

1 shall be limited to a maximum percentage of the system price, as
2 determined by the commission.

3 (3) Eligible distributed emerging technologies are
4 photovoltaic, solar thermal electric, fuel cell technologies that
5 utilize renewable fuels, and wind turbines of not more than 50
6 kilowatts rated electrical generating capacity per customer site,
7 and other distributed renewable emerging technologies that meet
8 the emerging technology eligibility criteria established by the
9 commission. Eligible electricity generating systems are intended
10 primarily to offset part or all of the consumer's own electricity
11 demand, and shall not be owned by local publicly owned electric
12 utilities, nor be located at a customer site that is not receiving
13 distribution service from an electrical corporation that is subject
14 to the renewable energy public goods charge and contributing
15 funds to support programs under this chapter. All eligible
16 electricity generating system components shall be new and
17 unused, shall not have been previously placed in service in any
18 other location or for any other application, and shall have a
19 warranty of not less than five years to protect against defects and
20 undue degradation of electrical generation output. Systems and
21 their fuel resources shall be located on the same premises of the
22 end-use consumer where the consumer's own electricity demand
23 is located, and all eligible electricity generating systems shall be
24 connected to the utility grid in California. The commission may
25 require eligible electricity generating systems to have meters in
26 place to monitor and measure a system's performance and
27 generation. Only systems that will be operated in compliance
28 with applicable law and the rules of the Public Utilities
29 Commission shall be eligible for funding.

30 (4) The commission shall limit the amount of funds available
31 for any system or project of multiple systems and reduce the
32 level of funding for any system or project of multiple systems
33 that has received, or may be eligible to receive, any government
34 or utility funds, incentives, or credit.

35 (5) In awarding funding, the commission may provide
36 preference to systems that provide tangible demonstrable benefits
37 to communities with a plurality of minority or low-income
38 populations.

39 (6) In awarding funding, the commission shall develop and
40 implement eligibility criteria and a system that provides

1 preference to systems based upon system performance, taking
2 into account factors, including, but not limited to, shading,
3 insulation levels, and installation orientation.

4 (7) At least once annually, the commission shall publish and
5 make available to the public the balance of funds available for
6 emerging renewable energy resources for rebates, buydowns, and
7 other incentives for the purchase of these resources.

8 (c) Notwithstanding Section 399.6 of the Public Utilities Code,
9 the commission may expend, until December 31, 2008, up to
10 sixty million dollars (\$60,000,000) of the funding allocated to the
11 Renewable Resources Trust Fund for the program established in
12 this section, subject to the repayment requirements of subdivision
13 (f) of Section 25751.

14 (d) *The commission shall ensure proportional program*
15 *support, not to exceed 10 percent of overall program funds, for*
16 *the installation of solar energy systems on the new construction*
17 *and rehabilitation of affordable housing units, including single*
18 *and multifamily residential housing. In addition, the commission*
19 *shall ensure that additional and proportional resources, not to*
20 *exceed 5 percent of overall program funds, are provided for the*
21 *unique needs of subsidized low-income housing through targeted*
22 *financing mechanisms and support, including a revolving loan*
23 *fund, technical assistance, and other needs as identified in*
24 *consultation with the California Tax Credit Allocation*
25 *Committee.*

26 (e) *Nonresidential rebates awarded pursuant to subdivision (b)*
27 *or funded through the Solar Energy Peak Procurement Program*
28 *pursuant to Chapter 8 (commencing with Section 2830) of Part 2*
29 *of Division 1 of the Public Utilities Code, shall be paid directly*
30 *to the contractor who will perform or subcontract the*
31 *construction work pursuant to an agreement between the*
32 *commission and the contractor.*

33 SEC. 4. Division 16.7 (commencing with Section 26421) is
34 added to the Public Resources Code, to read:

35
36 DIVISION 16.7. SOLAR ENERGY SYSTEM REBATES
37

38 26421. (a) "Affordable housing," as used in this division,
39 means a housing project undertaken pursuant to Section 50052.5,
40 50053, or 50199.4 of the Health and Safety Code.

(b) "Solar energy system," as used in this division, means a photovoltaic solar collector or other photovoltaic solar energy device that has a primary purpose of providing for the collection, storage, and distribution of solar energy for the generation of electricity. A solar energy system shall have a minimum manufacturer's warranty, as determined by the commission, and shall meet all applicable safety and performance standards established by the National Electrical Code, the institute of Electrical and Electronics Engineers, and accredited testing laboratories, including Underwriters laboratories and, where applicable, rules of the Public Utilities Commission regarding safety and reliability.

26422. (a) Not later than July 1, 2005, the commission shall award rebates to support the installation of grid-connected solar energy systems and shall adopt a schedule of declining rebates for this purpose, subject to all of the following:

(1) The maximum rebate in year one shall be no greater than two dollars eighty cents (\$2.80) per watt, and shall decline each year thereafter as determined by the commission.

(2) The rebate shall be zero as of January 1, 2015.

(b) The program shall be funded through the Solar Energy Peak Procurement Fund as provided in Section 2834 of the Public Utilities Code.

(c) The president of the Public Utilities Commission and the chairman of the State Energy Resources Conservation and Development Commission shall, no later than March of 2006, appear before the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Commerce to issue a progress report on meeting the deadline for the creation of the Solar Energy Peak Procurement Program.

(d) The commission shall specify that this program is on a first-come first-serve basis for applicants.

26423. The commission shall ensure proportional program support, not to exceed 10 percent of overall program funds, for installation of solar energy systems on the new construction and rehabilitation of affordable housing units, including single and multifamily residential housing. In addition to the rebate, the commission shall also ensure that additional and proportional resources, not to exceed 5 percent of overall program funds, are provided for the unique needs of subsidized low-income housing

1 through targeted financing mechanisms and support, including a
2 revolving loan fund, technical assistance, and other needs as
3 identified in consultation with the California Tax Credit
4 Allocation Committee.

5 SEC. 5. Section 385.1 is added to the Public Utilities Code, to
6 read:

7 385.1. (a) Every local publicly owned electric utility, as
8 defined in Section 9604, that has retail customers, shall establish
9 a solar program consistent with the Solar Energy Peak
10 Procurement Program established pursuant to Chapter 8
11 (commencing with Section 2830) of Part 2 and Division 16.7
12 (commencing with Section 26421) of the Public Resources Code,
13 to fund program expenditure levels consistent with those
14 established for the three largest electrical corporations in
15 California, at a rate proportional to the size of the ratepayer base
16 served by the local publicly owned electric utility. Every local
17 publicly owned electric utility shall establish the program within
18 a reasonable period of time, but not to exceed six months, after
19 the commission adopts and implements any solar homes program
20 pursuant to Chapter 8 (commencing with Section 2830).

21 (b) Each local publicly owned electric utility shall report, on
22 an annual basis, to its customers and to the State Energy
23 Resources Conservation and Development Commission,
24 information relative to the utility's solar program. The State
25 Energy Resources Conservation and Development Commission
26 may establish guidelines for the information to be included in the
27 annual report.

28 (c) The charge imposed pursuant to this section shall fund the
29 local publicly owned electric utility's administrative and
30 reporting costs pursuant to this section.

31 SEC. 6. Section 399.6 of the Public Utilities Code is amended
32 to read:

33 399.6. (a) In order to optimize public investment and ensure
34 that the most cost-effective and efficient investments in
35 renewable resources are vigorously pursued, the Energy
36 Commission shall create an investment plan as set forth in
37 paragraphs (1) to (3), inclusive, to govern the allocation of funds
38 provided pursuant to this article. The Energy Commission's
39 long-term goal shall be a fully competitive and self-sustaining

1 California renewable energy supply. The investment plan shall be
2 in accordance with all of the following:

3 (1) The investment plan's objective shall be to increase, in the
4 near term, the quantity of California's electricity generated by
5 in-state renewable energy resources, while protecting system
6 reliability, fostering resource diversity, and obtaining the greatest
7 environmental benefits for California residents.

8 (2) An additional objective of the plan shall be to identify and
9 support emerging renewable energy technologies that have the
10 greatest near-term commercial promise and that merit targeted
11 assistance.

12 (3) The investment plan shall contain specific numerical
13 targets, reflecting the projected impact of the plan, for both of the
14 following:

15 (A) Increased quantity of California electrical generation
16 produced from emerging technologies and from overall
17 renewable resources.

18 (B) Increased supply of renewable generation available from
19 facilities other than those selling to investor-owned utilities under
20 contracts entered into prior to 1996 under the federal Public
21 Utilities Regulatory Policies Act of 1978 (P.L. 95-617).

22 (b) The Energy Commission shall, on an annual basis,
23 evaluate progress on meeting the targets set forth in
24 subparagraphs (A) and (B) of paragraph (3) of subdivision (a), or
25 any substitute provisions adopted by the Legislature upon review
26 of the investment plan, and assess the impact of the investment
27 plan on reducing the cost to Californians of renewable energy
28 generation.

29 (c) In preparing these investment plans, the Energy
30 Commission shall recommend allocations among all of the
31 following:

32 (1) (A) Except as provided in subparagraph (B), production
33 incentives for new renewable energy, including repowered or
34 refurbished renewable energy.

35 (B) Allocations may not be made for renewable energy that is
36 generated by a project that remains under a power purchase
37 contract with an electrical corporation originally entered into
38 prior to September 24, 1996, whether amended or restated
39 thereafter.

(C) Notwithstanding subparagraph (B), production incentives for incremental new, repowered, or refurbished renewable energy from existing projects under ~~a power~~ *an electricity* purchase contract with an electrical corporation originally entered into prior to September 24, 1996, whether amended or restated thereafter, may be allowed in any month, if all of the following occur:

(i) The project's ~~power~~ *electricity* purchase contract provides that all ~~energy~~ *electricity* delivered and sold under the contract is paid at a price that does not exceed commission-approved short-run avoided cost of ~~energy~~ *electricity*.

(ii) Either of the following:

(I) The ~~power~~ *electricity* purchase contract is amended to provide that the kilowatthours used to determine the capacity payment in any time-of-delivery period in any month under the contract shall be equal to the actual kilowatthour production, but no greater than the five-year average of the kilowatthours delivered for the corresponding time-of-delivery period and month, in the years 1994 to 1998, inclusive.

(II) If a project's installed capacity as of December 31, 1998, is less than 75 percent of the nameplate capacity as stated in the ~~power~~ *electricity* purchase contract, the ~~power~~ *electricity* purchase contract is amended to provide that the kilowatthours used to determine the capacity payment in any time-of-delivery period in any month under the contract shall be equal to the actual kilowatthour production, but no greater than the product of the five-year average of the kilowatthours delivered for the corresponding time-of-delivery period and month, in the years 1994 to 1998, inclusive, and the ratio of installed capacity as of December 31 of the previous year, but not to exceed contract nameplate capacity, to the installed capacity as of December 31, 1998.

(iii) The production incentive is payable only with respect to the kilowatthours delivered in a particular month that exceeds the corresponding five-year average calculated pursuant to clause (ii).

(2) Rebates, buydowns, or equivalent incentives for emerging renewable technologies.

(3) Customer credits for renewables not under contract with a utility.

1 (4) Customer education.

2 (5) Incentives for reducing fuel costs that are confirmed to the
3 satisfaction of the Energy Commission at solid fuel biomass
4 energy facilities in order to provide demonstrable environmental
5 and public benefits, including, but not limited to, air quality.

6 (6) Solar thermal generating resources that enhance the
7 environmental value or reliability of the electrical system and
8 that require financial assistance to remain economically viable, as
9 determined by the Energy Commission. The Energy Commission
10 may require financial disclosure from applicants for purposes of
11 this paragraph.

12 (7) Specified fuel cell technologies, if the Energy Commission
13 makes all of the following findings:

14 (A) The specified technologies have similar or better air
15 pollutant characteristics than renewable technologies in the
16 investment plan.

17 (B) The specified technologies require financial assistance to
18 become commercially viable by reference to wholesale
19 generation prices.

20 (C) The specified technologies could contribute significantly
21 to the infrastructure development or other innovation required to
22 meet the long-term objective of a self-sustaining, competitive
23 supply of renewable energy.

24 (8) Existing wind-generating resources, if the Energy
25 Commission finds that the existing wind-generating resources are
26 a cost-effective source of reliable and environmental benefits
27 compared with other eligible sources, and that the existing
28 wind-generating resources require financial assistance to remain
29 economically viable, as determined by the Energy Commission.
30 The Energy Commission may require financial disclosure from
31 applicants for the purposes of this paragraph.

32 (d) The commission shall establish a cap on the aggregate
33 amount of funds that may be awarded to public entities from the
34 program that provides customer credits for renewables. The
35 intent of the cap is to assure adequate funding of credits for
36 residential and small commercial customers.

37 ~~(e) Notwithstanding any other provision of law, moneys~~
38 ~~collected for renewable energy pursuant to this article shall be~~
39 ~~transferred to the Renewable Resource Trust Fund of the Energy~~
40 ~~Commission, to be held until further action by the Legislature.~~

1 The Energy Commission shall prepare and submit to the
2 Legislature, on or before March 31, 2001, an initial investment
3 plan for these moneys, addressing the application of moneys
4 collected between January 1, 2002, and January 1, 2007. The
5 initial investment plan shall also include an evaluation of and
6 report to the Legislature regarding the appropriateness and
7 structure of a mandatory state purchase of renewable energy. On
8 or before March 31, 2006, the Energy Commission shall prepare
9 an investment plan proposing the application of moneys collected
10 between January 1, 2007, and January 1, 2012. ~~No~~ *Except for*
11 *those moneys expended through the Emerging Renewable*
12 *Resources Account, no* moneys may be expended in the years
13 covered by these plans without further legislative action.

14 *(f) Notwithstanding subdivision (e), the commission may*
15 *advance moneys to the Emerging Renewable Resources Account*
16 *and expend those moneys without further legislative action,*
17 *subject to subdivision (f) of Section 25751 of the Public*
18 *Resources Code.*

19 SEC. 7. Section 399.8 of the Public Utilities Code is amended
20 to read:

21 399.8. (a) In order to ensure that the citizens of this state
22 continue to receive safe, reliable, affordable, and
23 environmentally sustainable electric service, it is the policy of
24 this state and the intent of the Legislature that prudent
25 investments in energy efficiency, renewable energy, and
26 research, development and demonstration shall continue to be
27 made.

28 (b) (1) Every customer of an electrical corporation, shall pay
29 a nonbypassable system benefits charge authorized pursuant to
30 this article. The system benefits charge shall fund energy
31 efficiency, renewable energy, and research, development and
32 demonstration.

33 (2) Local publicly owned electric utilities shall continue to
34 collect and administer system benefits charges pursuant to
35 Section 385.

36 (c) (1) The commission shall require each electrical
37 corporation to identify a separate rate component to collect
38 revenues to fund energy efficiency, renewable energy, and
39 research, development and demonstration programs authorized
40 pursuant to this section beginning January 1, 2002, through

January 1, 2012. The rate component shall be a nonbypassable element of the local distribution service and collected on the basis of usage.

(2) This rate component may not exceed, for any tariff schedule, the level of the rate component that was used to recover funds authorized pursuant to Section 381 on January 1, 2000. If the amounts specified in paragraph (1) of subdivision (d) are not recovered fully in any year, the commission shall reset the rate component to restore the unrecovered balance, provided that the rate component may not exceed, for any tariff schedule, the level of the rate component that was used to recover funds authorized pursuant to Section 381 on January 1, 2000. Pending restoration, any annual shortfalls shall be allocated pro rata among the three funding categories in the proportions established in paragraph (1) of subdivision (d).

(d) The commission shall order San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company to collect these funds commencing on January 1, 2002, as follows:

(1) Two hundred twenty-eight million dollars (\$228,000,000) per year in total for energy efficiency and conservation activities, one hundred thirty-five million dollars (\$135,000,000) in total per year for renewable energy, and sixty-two million five hundred thousand dollars (\$62,500,000) in total per year for research, development and demonstration. The funds for energy efficiency and conservation activities shall continue to be allocated in proportions established for the year 2000 as set forth in paragraph (1) of subdivision (c) of Section 381.

(2) The amounts shall be adjusted annually at a rate equal to the lesser of the annual growth in electric commodity sales or inflation, as defined by the gross domestic product deflator. *The amounts collected to fund energy efficiency, renewable energy, and research, development and demonstration, from January 1, 2005, to December 31, 2006, shall be those levels established by the commission for 2004. Any additional moneys collected as a result of the difference between the rate component amount specified in paragraph (2) of subdivision (c) and the amounts required to be collected pursuant to this subdivision, from January 1, 2005, to December 31, 2006, shall be transferred at*

1 *least quarterly to the Solar Energy Peak Procurement Fund*
2 *established pursuant to Section 2833.*

3 (e) The commission and the Energy Commission shall retain
4 and continue their oversight responsibilities as set forth in
5 Sections 381 and 383, and Chapter 7.1 (commencing with
6 Section 25620) and Chapter 8.6 (commencing with Section
7 25740) of Division 15 of the Public Resources Code.

8 (f) (1) On or before January 1, 2004, the Governor shall
9 appoint an independent review panel including, but not limited
10 to, members with expertise on the energy service needs of large
11 and small electricity consumers, system reliability issues, and
12 energy-related public policy. On or before January 1, 2005, the
13 panel shall prepare and submit to the Legislature and the Energy
14 Commission a report evaluating the energy efficiency, renewable
15 energy, and research, development and demonstration programs
16 funded under this section. Reasonable costs associated with the
17 review in each of the three program categories, including
18 technical assistance, may be charged to the relevant program
19 category under procedures to be developed by the commission
20 for energy efficiency and by the Energy Commission for
21 renewable energy and research development and demonstration.

22 (2) The report shall also assess all of the following:

23 (A) Whether ongoing programs are consistent with the
24 statutory goals.

25 (B) Whether potential synergies among the program categories
26 described in paragraph (1) that could provide enhanced public
27 value have been identified and incorporated in the programs.

28 (C) If established targets for increased renewable generation
29 are likely to be achieved.

30 (D) What changes should be made to result in a more efficient
31 use of public resources.

32 (3) The report shall also compare the Energy Commission's
33 programs with efforts undertaken by other states and assess, as an
34 alternative, the relative costs and benefits of adopting a tradable
35 minimum renewable energy requirement in California. The
36 evaluation shall include recommendations intended to optimize
37 renewable resource development at the least cost.

38 (4) For energy efficiency programs, the report shall include an
39 evaluation of all of the following:

1 (A) The net benefits secured for residential customers, taking
2 into account both public and private costs, including
3 improvements in that customer group's ability to avoid or reduce
4 consumption of relatively costly peak electricity.

5 (B) Whether the programs provide a balance of benefits to all
6 sectors that contribute to the funding.

7 (C) The extent to which competition in energy markets
8 including, but not limited to, load participation in ancillary
9 services markets, and improvements in technology affect the
10 continuing need for such programs.

11 (D) The status and growth of the private, competitive energy
12 services industry that provides energy efficiency services and
13 other energy products to customers.

14 (E) The commercial availability of any new technologies that
15 reduce electricity demands during high-priced periods.

16 (F) Customers' willingness and ability to reduce consumption
17 or adopt energy efficiency measures without program support.

18 (G) The extent to which the programs have delivered
19 cost-effective energy efficiency not adequately provided by
20 markets and as a result have reduced energy demand and
21 consumption.

22 (H) The relative cost-effectiveness of program expenditures
23 compared to other current or potential expenditures to enhance
24 system reliability.

25 (5) The report shall include specific recommendations aimed
26 at assisting the Legislature in determining whether to change or
27 eliminate the collection of the system benefits charge on or after
28 January 1, 2007.

29 (6) The panel may update and revise the report as needed.

30 (g) Promptly after receiving the panel's report, the
31 commission shall convene a proceeding to address
32 implementation of the panel's energy efficiency
33 recommendations.

34 (h) An applicant for the Large Nonresidential Standard
35 Performance Contract Program funded pursuant to paragraph (1)
36 of subdivision (b) and an electrical corporation shall promptly
37 attempt to resolve disputes that arise related to the program's
38 guidelines and parameters prior to entering into a program
39 agreement. The applicant shall provide the electrical corporation
40 with written notice of any dispute. Within 10 business days after

1 receipt of the notice, the parties shall meet to resolve the dispute.
2 If the dispute is not resolved within 10 business days after the
3 date of the meeting, the electrical corporation shall notify the
4 applicant of his or her right to file a complaint with the
5 commission, which complaint shall describe the grounds for the
6 complaint, injury, and relief sought. The commission shall issue
7 its findings in response to a filed complaint within 30 business
8 days of the date of receipt of the complaint. Prior to issuance of
9 its findings, the commission shall provide a copy of the
10 complaint to the electrical corporation, which shall provide a
11 response to the complaint to the commission within five business
12 days of the date of receipt. During the dispute period, the amount
13 of estimated financial incentives shall be held in reserve until the
14 dispute is resolved.

15 SEC. 8. Section 760 is added to the Public Utilities Code, to
16 read:

17 760. The commission, in collaboration with the State Energy
18 Resources Conservation and Development Commission, shall
19 develop optional time-variant electricity pricing tariffs for all
20 customers that are not subject to mandatory time-variant pricing
21 as of January 1, 2004, including net metered customers.

22 SEC. 9. Section 2827 of the Public Utilities Code is amended
23 to read:

24 2827. (a) The Legislature finds and declares that a program to
25 provide net energy metering for eligible customer-generators is
26 one way to encourage substantial private investment in
27 renewable energy resources, stimulate in-state economic growth,
28 reduce demand for electricity during peak consumption periods,
29 help stabilize California's energy supply infrastructure, enhance
30 the continued diversification of California's energy resource mix,
31 and reduce interconnection and administrative costs for
32 electricity suppliers.

33 (b) As used in this section, the following definitions apply:

34 (1) "Electric service provider" means an electrical corporation,
35 as defined in Section 218, a local publicly owned electric utility,
36 as defined in Section 9604, or an electrical cooperative, as
37 defined in Section 2776, or any other entity that offers electrical
38 service. This section shall not apply to a local publicly owned
39 electric utility, as defined in Section 9604 of the Public Utilities

1 Code, that serves more than 750,000 customers and that also
2 conveys water to its customers.

3 (2) “Eligible customer-generator” means a residential, small
4 commercial customer as defined in subdivision (h) of Section
5 331, commercial, industrial, or agricultural customer of an
6 electric service provider, who uses a solar or a wind turbine
7 electrical generating facility, or a hybrid system of both, with a
8 capacity of not more than one megawatt that is located on the
9 customer’s owned, leased, or rented premises, is interconnected
10 and operates in parallel with the electric grid, and is intended
11 primarily to offset part or all of the customer’s own electrical
12 requirements.

13 (3) “Net energy metering” means measuring the difference
14 between the electricity supplied through the electric grid and the
15 electricity generated by an eligible customer-generator and fed
16 back to the electric grid over a 12-month period as described in
17 subdivision (h). Net energy metering shall be accomplished using
18 a single meter capable of registering the flow of electricity in two
19 directions. An additional meter or meters to monitor the flow of
20 electricity in each direction may be installed with the consent of
21 the customer-generator, at the expense of the electric service
22 provider, and the additional metering shall be used only to
23 provide the information necessary to accurately bill or credit the
24 customer-generator pursuant to subdivision (h), or to collect solar
25 or wind electric generating system performance information for
26 research purposes. If the existing electrical meter of an eligible
27 customer-generator is not capable of measuring the flow of
28 electricity in two directions, the customer-generator shall be
29 responsible for all expenses involved in purchasing and installing
30 a meter that is able to measure electricity flow in two directions.
31 If an additional meter or meters are installed, the net energy
32 metering calculation shall yield a result identical to that of a
33 single meter. An eligible customer-generator who already owns
34 an existing solar or wind turbine electrical generating facility, or
35 a hybrid system of both, is eligible to receive net energy metering
36 service in accordance with this section.

37 (4) “Wind energy co-metering” means any wind energy
38 project greater than 50 kilowatts, but not exceeding one
39 megawatt, where the difference between the electricity supplied
40 through the electric grid and the electricity generated by an

1 eligible customer-generator and fed back to the electric grid over
2 a 12-month period is as described in subdivision (h). Wind
3 energy co-metering shall be accomplished pursuant to Section
4 2827.8.

5 (5) “Co-energy metering” means a program that is the same in
6 all other respects as a net energy metering program, except that
7 the local publicly owned electric utility, as defined in Section
8 9604, has elected to apply a generation-to-generation energy and
9 time-of-use credit formula as provided in subdivision (i).

10 (6) “Ratemaking authority” means, for an electrical
11 corporation as defined in Section 218, or an electrical
12 cooperative as defined in Section 2776, the commission, and for
13 a local publicly owned electric utility as defined in Section 9604,
14 the local elected body responsible for regulating the rates of the
15 local publicly owned utility.

16 (c) (1) Every electric service provider shall develop a standard
17 contract or tariff providing for net energy metering, and shall
18 make this contract available to eligible customer-generators,
19 upon request, on a first-come-first-served basis until the time that
20 the total rated generating capacity used by eligible
21 customer-generators exceeds ~~one-half of~~ 1.5 percent of the
22 electric service provider’s aggregate customer peak demand.

23 (2) On an annual basis, beginning in 2003, every electric
24 service provider shall make available to the ratemaking authority
25 information on the total rated generating capacity used by
26 eligible customer-generators that are customers of that provider
27 in the provider’s service area. For those electric service providers
28 who are operating pursuant to Section 394, they shall make
29 available to the ratemaking authority the information required by
30 this paragraph for each eligible customer-generator that is their
31 customer for each service area of an electric corporation, local
32 publicly owned electric utility, or electrical cooperative, in which
33 the customer has net energy metering. The ratemaking authority
34 shall develop a process for making the information required by
35 this paragraph available to energy service providers, and for
36 using that information to determine when, pursuant to paragraph
37 (3), a service provider is not obligated to provide net energy
38 metering to additional customer-generators in its service area.

39 (3) Notwithstanding paragraph (1), an electric service provider
40 is not obligated to provide net energy metering to additional

customer-generators in its service area when the combined total peak demand of all customer-generators served by all the electric service providers in that service area furnishing net energy metering to eligible customer-generators exceeds ~~one-half of~~ 1.5 percent of the aggregate customer peak demand of those electric service providers.

(d) Electric service providers shall make all necessary forms and contracts for net metering service available for download from the Internet.

(e) (1) Every electric service provider shall ensure that requests for establishment of net energy metering are processed in a time period not exceeding that for similarly situated customers requesting new electric service, but not to exceed 30 working days from the date the electric service provider receives a completed application form for net metering service, including a signed interconnection agreement from an eligible customer-generator and the electric inspection clearance from the governmental authority having jurisdiction. If an electric service provider is unable to process the request within the allowable timeframe, the electric service provider shall notify both the customer-generator and the ratemaking authority of the reason for its inability to process the request and the expected completion date.

(2) Electric service providers shall ensure that requests for an interconnection agreement from an eligible customer-generator are processed in a time period not to exceed 30 working days from the date the electric service provider receives a completed application form from the eligible customer-generator for an interconnection agreement. If an electric service provider is unable to process the request within the allowable timeframe, the electric service provider shall notify the customer-generator and the ratemaking authority of the reason for its inability to process the request and the expected completion date.

(f) (1) If a customer participates in direct transactions pursuant to paragraph (1) of subdivision (b) of Section 365 with an electric supplier that does not provide distribution service for the direct transactions, the service provider that provides distribution service for an eligible customer-generator is not obligated to provide net energy metering to the customer.

(2) If a customer participates in direct transactions pursuant to paragraph (1) of subdivision (b) of Section 365 with an electric supplier, and the customer is an eligible customer-generator, the service provider that provides distribution service for the direct transactions may recover from the customer's electric service provider the incremental costs of metering and billing service related to net energy metering in an amount set by the ratemaking authority.

(g) Each net energy metering contract or tariff shall be identical, with respect to rate structure, all retail rate components, and any monthly charges, to the contract or tariff to which the same customer would be assigned if the customer did not use an eligible solar or wind electrical generating facility, except that eligible customer-generators shall not be assessed standby charges on the electrical generating capacity or the kilowatthour production of an eligible solar or wind electrical generating facility. The charges for all retail rate components for eligible customer-generators shall be based exclusively on the customer-generator's net kilowatthour consumption over a 12-month period, without regard to the customer-generator's choice of electric service provider. Any new or additional demand charge, standby charge, customer charge, minimum monthly charge, interconnection charge, or any other charge that would increase an eligible customer-generator's costs beyond those of other customers who are not customer-generators in the rate class to which the eligible customer-generator would otherwise be assigned if the customer did not own, lease, rent, or otherwise operate an eligible solar or wind electrical generating facility are contrary to the intent of this section, and shall not form a part of net energy metering contracts or tariffs.

(h) For eligible residential and small commercial customer-generators, the net energy metering calculation shall be made by measuring the difference between the electricity supplied to the eligible customer-generator and the electricity generated by the eligible customer-generator and fed back to the electric grid over a 12-month period. The following rules shall apply to the annualized net metering calculation:

(1) The eligible residential or small commercial customer-generator shall, at the end of each 12-month period following the date of final interconnection of the eligible

1 customer-generator's system with an electric service provider,
2 and at each anniversary date thereafter, be billed for electricity
3 used during that period. The electric service provider shall
4 determine if the eligible residential or small commercial
5 customer-generator was a net consumer or a net producer of
6 electricity during that period.

7 (2) At the end of each 12-month period, where the electricity
8 supplied during the period by the electric service provider
9 exceeds the electricity generated by the eligible residential or
10 small commercial customer-generator during that same period,
11 the eligible residential or small commercial customer-generator is
12 a net electricity consumer and the electric service provider shall
13 be owed compensation for the eligible customer-generator's net
14 kilowatthour consumption over that same period. The
15 compensation owed for the eligible residential or small
16 commercial customer-generator's consumption shall be
17 calculated as follows:

18 (A) For all eligible customer-generators taking service under
19 tariffs employing "baseline" and "over baseline" rates, any net
20 monthly consumption of electricity shall be calculated according
21 to the terms of the contract or tariff to which the same customer
22 would be assigned to or be eligible for if the customer was not an
23 eligible customer-generator. If those same customer-generators
24 are net generators over a billing period, the net kilowatthours
25 generated shall be valued at the same price per kilowatthour as
26 the electric service provider would charge for the baseline
27 quantity of electricity during that billing period, and if the
28 number of kilowatthours generated exceeds the baseline quantity,
29 the excess shall be valued at the same price per kilowatthour as
30 the electric service provider would charge for electricity over the
31 baseline quantity during that billing period.

32 (B) For all eligible customer-generators taking service under
33 tariffs employing "time of use" rates, any net monthly
34 consumption of electricity shall be calculated according to the
35 terms of the contract or tariff to which the same customer would
36 be assigned to or be eligible for if the customer was not an
37 eligible customer-generator. When those same
38 customer-generators are net generators during any discrete time
39 of use period, the net kilowatthours produced shall be valued at
40 the same price per kilowatthour as the electric service provider

1 would charge for retail kilowatthour sales during that same time
2 of use period. If the eligible customer-generator's time of use
3 electrical meter is unable to measure the flow of electricity in two
4 directions, paragraph (3) of subdivision (b) shall apply.

5 (C) For all residential and small commercial
6 customer-generators and for each billing period, the net balance
7 of moneys owed to the electric service provider for net
8 consumption of electricity or credits owed to the
9 customer-generator for net generation of electricity shall be
10 carried forward as a monetary value until the end of each
11 12-month period. For all commercial, industrial, and agricultural
12 customer-generators the net balance of moneys owed shall be
13 paid in accordance with the electric service provider's normal
14 billing cycle, except that if the commercial, industrial, or
15 agricultural customer-generator is a net electricity producer over
16 a normal billing cycle, any excess kilowatthours generated during
17 the billing cycle shall be carried over to the following billing
18 period as a monetary value, calculated according to the
19 procedures set forth in this section, and appear as a credit on the
20 customer-generator's account, until the end of the annual period
21 when paragraph (3) shall apply.

22 (3) At the end of each 12-month period, where the electricity
23 generated by the eligible customer-generator during the
24 12-month period exceeds the electricity supplied by the electric
25 service provider during that same period, the eligible
26 customer-generator is a net electricity producer and the electric
27 service provider shall retain any excess kilowatthours generated
28 during the prior 12-month period. The eligible
29 customer-generator shall not be owed any compensation for
30 those excess kilowatthours unless the electric service provider
31 enters into a purchase agreement with the eligible
32 customer-generator for those excess kilowatthours.

33 (4) The electric service provider shall provide every eligible
34 residential or small commercial customer-generator with net
35 electricity consumption information with each regular bill. That
36 information shall include the current monetary balance owed the
37 electric service provider for net electricity consumed since the
38 last 12-month period ended. Notwithstanding this subdivision, an
39 electric service provider shall permit that customer to pay
40 monthly for net energy consumed.

1 (5) If an eligible residential or small commercial
2 customer-generator terminates the customer relationship with the
3 electric service provider, the electric service provider shall
4 reconcile the eligible customer-generator's consumption and
5 production of electricity during any part of a 12-month period
6 following the last reconciliation, according to the requirements
7 set forth in this subdivision, except that those requirements shall
8 apply only to the months since the most recent 12-month bill.

9 (6) If an electric service provider providing net metering to a
10 residential or small commercial customer-generator ceases
11 providing that electrical service to that customer during any
12 12-month period, and the customer-generator enters into a new
13 net metering contract or tariff with a new electric service
14 provider, the 12-month period, with respect to that new electric
15 service provider, shall commence on the date on which the new
16 electric service provider first supplies electric service to the
17 customer-generator.

18 (i) Notwithstanding any other provisions of this section, the
19 following provisions shall apply to an eligible
20 customer-generator with a capacity of more than 10 kilowatts,
21 but not exceeding one megawatt, that receives electrical service
22 from a local publicly owned electric utility, as defined in Section
23 9604, that has elected to utilize a co-energy metering program
24 unless the electric service provider chooses to provide service for
25 eligible customer-generators with a capacity of more than 10
26 kilowatts in accordance with subdivisions (g) and (h):

27 (1) The eligible customer-generator shall be required to utilize
28 a meter, or multiple meters, capable of separately measuring
29 electricity flow in both directions. All meters shall provide
30 "time-of-use" measurements of electricity flow, and the customer
31 shall take service on a time-of-use rate schedule. If the existing
32 meter of the eligible customer-generator is not a time-of-use
33 meter or is not capable of measuring total flow of energy in both
34 directions, the eligible customer-generator shall be responsible
35 for all expenses involved in purchasing and installing a meter
36 that is both time-of-use and able to measure total electricity flow
37 in both directions. This subdivision shall not restrict the ability of
38 an eligible customer-generator to utilize any economic incentives
39 provided by a government agency or the electric service provider

1 to reduce its costs for purchasing and installing a time-of-use
2 meter.

3 (2) The consumption of electricity from the electric service
4 provider shall result in a cost to the eligible customer-generator
5 to be priced in accordance with the standard rate charged to the
6 eligible customer-generator in accordance with the rate structure
7 to which the customer would be assigned if the customer did not
8 use an eligible solar or wind electrical generating facility. The
9 generation of electricity provided to the electric service provider
10 shall result in a credit to the eligible customer-generator and shall
11 be priced in accordance with the generation component,
12 established under the applicable structure to which the customer
13 would be assigned if the customer did not use an eligible solar or
14 wind electrical generating facility.

15 (3) All costs and credits shall be shown on the eligible
16 customer-generator's bill for each billing period. In any months
17 in which the eligible customer-generator has been a net consumer
18 of electricity calculated on the basis of value determined pursuant
19 to paragraph (2), the customer-generator shall owe to the electric
20 service provider the balance of electricity costs and credits during
21 that billing period. In any billing period in which the eligible
22 customer-generator has been a net producer of electricity
23 calculated on the basis of value determined pursuant to paragraph
24 (2), the electric service provider shall owe to the eligible
25 customer-generator the balance of electricity costs and credits
26 during that billing period. Any net credit to the eligible
27 customer-generator of electricity costs may be carried forward to
28 subsequent billing periods, provided that an electric service
29 provider may choose to carry the credit over as a kilowatt hour
30 credit consistent with the provisions of any applicable tariff,
31 including any differences attributable to the time of generation of
32 the electricity. At the end of each 12-month period, the electric
33 service provider may reduce any net credit due to the eligible
34 customer-generator to zero.

35 (j) A solar or wind turbine electrical generating system, or a
36 hybrid system of both, used by an eligible customer-generator
37 shall meet all applicable safety and performance standards
38 established by the National Electrical Code, the Institute of
39 Electrical and Electronics Engineers, and accredited testing
40 laboratories such as Underwriters Laboratories and, where

1 applicable, rules of the Public Utilities Commission regarding
2 safety and reliability. A customer-generator whose solar or wind
3 turbine electrical generating system, or a hybrid system of both,
4 meets those standards and rules shall not be required to install
5 additional controls, perform or pay for additional tests, or
6 purchase additional liability insurance.

7 (k) If the commission determines that there are cost or revenue
8 obligations for an electric corporation, as defined in Section 218,
9 that may not be recovered from customer-generators acting
10 pursuant to this section, those obligations shall remain within the
11 customer class from which any shortfall occurred and may not be
12 shifted to any other customer class. Net-metering and
13 co-metering customers shall not be exempt from the public
14 benefits charge. In its report to the Legislature, the commission
15 shall examine different methods to ensure that the public benefits
16 charge remains a nonbypassable charge.

17 (l) A net metering customer shall reimburse the Department of
18 Water Resources for all charges that would otherwise be imposed
19 on the customer by the commission to recover bond-related costs
20 pursuant to an agreement between the commission and the
21 Department of Water Resources pursuant to Section 80110 of the
22 Water Code, as well as the costs of the department equal to the
23 share of the department's estimated net unavoidable power
24 purchase contract costs attributable to the customer. The
25 commission shall incorporate the determination into an existing
26 proceeding before the commission, and shall ensure that the
27 charges are nonbypassable. Until the commission has made a
28 determination regarding the nonbypassable charges, net metering
29 shall continue under the same rules, procedures, terms, and
30 conditions as were applicable on December 31, 2002.

31 (m) In implementing the requirements of subdivisions (k) and
32 (l), a customer-generator shall not be required to replace its
33 existing meter except as set forth in paragraph (3) of subdivision
34 (b), nor shall the electric service provider require additional
35 measurement of usage beyond that which is necessary for
36 customers in the same rate class as the eligible
37 customer-generator.

38 (n) On or before January 1, 2005, the commission shall submit
39 a report to the Governor and the Legislature that assesses the
40 economic and environmental costs and benefits of net metering

1 to customer-generators, ratepayers, and utilities, including any
2 beneficial and adverse effects on public benefit programs and
3 special purpose surcharges. The report shall be prepared by an
4 independent party under contract with the commission.

5 (o) It is the intent of the Legislature that the Treasurer
6 incorporate net energy metering and co-energy metering projects
7 undertaken pursuant to this section as sustainable building
8 methods or distributive energy technologies for purposes of
9 evaluating low-income housing projects.

10 SEC. 10. Chapter 8 (commencing with Section 2830) is added
11 to Part 2 of Division 1 of the Public Utilities Code, to read:

12
13 CHAPTER 8. SOLAR ENERGY PEAK PROCUREMENT PROGRAM
14

15 2830. (a) The Legislature finds and declares all of the
16 following:

17 (1) Electricity generated by solar energy using photovoltaic
18 systems provides a reliable supply of electricity during peak
19 demand periods.

20 (2) Electricity generated by photovoltaic systems is a reliable
21 substitute for the purchase of expensive,
22 conventionally-generated electricity during peak demand periods.

23 (3) Electricity generated by photovoltaic systems is a
24 substitute for demand management activities which lower peak
25 demand.

26 (4) Electricity generated by photovoltaic systems is a
27 substitute for interruptible energy programs which lower peak
28 demand.

29 (5) The commission requires utilities to procure peak demand
30 period electricity supplies and allocates those costs to all
31 customers.

32 (6) The commission has established demand management
33 programs and interruptible energy programs and allocates the
34 costs of those programs to all customers.

35 (7) It is the intent of the Legislature that this program remain
36 in effect for 10 years and that the subsidy level per kilowatt of
37 capacity be reduced to zero at the end of those 10 years.

38 (b) It is the intent of the Legislature that this program be
39 funded at a level of up to one hundred million dollars
40 (\$100,000,000) annually and that this program not result in fee or

1 rate increases. The commission shall not increase for any reason
2 the amount designated for this program, regardless of any
3 increase in applications or lack of funding.

4 (c) It is the intent of the Legislature that the customers of each
5 utility benefit in proportion to the amount paid for the program
6 by those customers. Any program adopted by the commission
7 shall be a cost-effective investment by ratepayers in peak
8 electricity generation capacity that enables ratepayers to recoup
9 the cost of their investment through lower rates as a result of
10 avoiding purchases of electricity at peak rates generated by
11 traditional powerplants and peaker generation units, with
12 additional system reliability and pollution reduction benefits.

13 (d) It is the intent of the Legislature that existing photovoltaic
14 programs be harmonized with the program established by this
15 legislation.

16 2831. The commission shall by January 1, 2006, open a
17 proceeding to examine the relative costs and benefits between
18 solar rebate programs and commission-administered interruptible
19 and demand reduction programs, as follows:

20 (a) The proceeding shall review the self-generation incentive
21 program administered by the commission to harmonize it with
22 the solar energy programs administered by the State Energy
23 Resources Conservation and Development Commission and shall
24 issue a report on its recommendations to the Legislature.

25 (b) The proceeding shall include the conducting of a cost
26 versus benefit analysis to examine the relative costs and benefits
27 between solar rebate programs and commission-administered
28 interruptible and demand reduction programs that are in the best
29 interests of ratepayers.

30 (c) The proceeding shall review the cost and benefits of net
31 metering and report to the Legislature on whether the net
32 metering cap should be changed.

33 2832. The commission shall consider how customer-owned
34 photovoltaic distributed generation pursuant to this program can
35 be integrated with future procurement plans, resource adequacy
36 requirements, and energy efficiency measures.

37 2833. The Solar Energy Peak Procurement Fund is hereby
38 created in the State Treasury. Moneys in the fund may be
39 expended, upon appropriation by the Legislature, for the state's
40 administration of the program, to be used to encourage the

1 deployment of grid-connected solar photovoltaic systems in the
2 service territory of investor-owned utilities by subsidizing the
3 installed cost of those systems for all customer classes.

4 2834. The commission shall direct utilities to regularly
5 deposit a portion of the moneys derived from electric rates into
6 the Solar Peak Energy Procurement Fund. The commission shall
7 determine the amount of electric rates to be deposited. That
8 amount shall come from unused funds previously authorized for
9 demand management and interruptible programs and rates which
10 previously paid for demand management and interruptible
11 programs which the commission determines to be less cost
12 effective than the photovoltaic incentive program established by
13 Division 16.7 (commencing with Section 26420) of the Public
14 Resources Code.

15 2835. On or before December 31, 2005, the commission shall
16 report to the Legislature on whether the commission was able to
17 obtain funding from existing programs sufficient to achieve the
18 purposes of the act enacting this chapter, and shall submit
19 recommendations for additional funding sources, if necessary.

20 SEC. 11. No reimbursement is required by this act pursuant to
21 Section 6 of Article XIII B of the California Constitution because
22 certain costs that may be incurred by a local agency or school
23 district will be incurred because this act creates a new crime or
24 infraction, eliminates a crime or infraction, or changes the
25 penalty for a crime or infraction, within the meaning of Section
26 17556 of the Government Code, or changes the definition of a
27 crime within the meaning of Section 6 of Article XIII B of the
28 California Constitution.

29 With regard to any other mandates, no reimbursement is
30 required by this act pursuant to Section 6 of Article XIII B of the
31 California Constitution because a local agency or school district
32 has the authority to levy service charges, fees, or assessments
33 sufficient to pay for the program or level of service mandated by
34 this act, within the meaning of Section 17556 of the Government
35 Code.